

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended June 30, 2004

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF JUNE 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents . . . . .	\$ 24,950	\$ 35,349
2	Short-term investments . . . . .	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2004, \$ 4,264 ; 2003, \$ 5,784 ). . . . . NOTE 2 . . . . .	96,344	54,738
4	Inventories. . . . .	2,543	3,316
5	Prepaid expenses and other current assets. . . . .	8,245	5,379
6	Total current assets. . . . .	132,082	98,782
7	Investments, Advances, and Receivables. . . . . NOTES 1 and 3 . . . . .	137,222	132,746
8	Property and Equipment - Gross. . . . . NOTES 1 and 4 . . . . .	1,275,427	1,251,059
9	Less: Accumulated Depreciation/Amortization. . . . . NOTES 1 and 4 . . . . .	(622,450)	(586,147)
10	Property and Equipment - Net. . . . .	652,977	664,912
11	Other Assets. . . . . NOTE 5. . . . .	17,801	17,806
12	Total Assets. . . . .	\$ 940,082	\$ 914,246
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. . . . .	\$ 3,739	\$ 5,487
14	Notes payable. . . . .	-	-
	Current portion of long-term debt. . . . .		
15	Due to affiliates. . . . .	-	-
16	Other. . . . .	63	60
17	Income taxes payable and accrued. . . . .	-	-
18	Other accrued expenses. . . . . NOTE 6. . . . .	40,016	47,785
19	Other current liabilities. . . . . NOTE 7. . . . .	9,387	8,682
20	Total current liabilities. . . . .	53,205	62,014
	Long-Term Debt:		
21	Due to affiliates. . . . . NOTE 8. . . . .	584,000	583,500
22	Other. . . . . NOTE 8. . . . .	1,364	1,558
23	Deferred Credits. . . . .	-	-
24	Other Liabilities. . . . . NOTE 9. . . . .	1,608	1,910
25	Commitments And Contingencies. . . . . NOTE 1. . . . .	-	-
26	Total Liabilities. . . . .	640,177	648,982
27	Stockholders', Partners', Or Proprietor's Equity. . . . .	299,905	265,264
28	Total Liabilities And Equity. . . . .	\$ 940,082	\$ 914,246

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (B)	2004 (C)	2003 (D)
	<b>REVENUE:</b>		
1	Casino .....	\$ 321,694	\$ 336,054
2	Rooms .....	24,143	22,782
3	Food and Beverage .....	44,557	47,300
4	Other .....	10,355	7,654
5	Total Revenue .....	400,749	413,790
6	Less: Promotional allowances .....	83,140	79,929
7	Net Revenue .....	317,609	333,861
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	196,819	200,695
9	Selling, General, and Administrative .....	36,035	39,385
10	Provision for Doubtful Accounts .....	454	912
11	Total costs and expenses .....	233,308	240,992
12	Gross Operating Profit .....	84,301	92,869
13	Depreciation and amortization ..... NOTE 1...	22,669	20,614
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10..	10,661	11,062
15	Other .....	---	---
16	Income (Loss) from Operations .....	50,971	61,193
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8...	(24,818)	(24,469)
18	Interest (expense) - external .....	(119)	(132)
19	Investment alternative tax and related income (expense) - net .....	1,680	(2,460)
20	Non-operating income (expense) - net ..... NOTE 11..	2,169	5,578
21	Total other income (expenses) .....	(21,088)	(21,483)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	29,883	39,710
23	Provision (credit) for income taxes .....	13,229	14,326
24	Income (Loss) Before Extraordinary Items .....	16,654	25,384
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 16,654	\$ 25,384

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 164,149	\$ 178,439
2	Rooms .....	13,212	12,502
3	Food and Beverage .....	22,888	25,339
4	Other .....	5,393	4,025
5	Total Revenue .....	205,642	220,305
6	Less: Promotional allowances .....	42,528	42,863
7	Net Revenue .....	163,114	177,442
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	98,949	101,408
9	Selling, General, and Administrative .....	16,998	20,148
10	Provision for Doubtful Accounts .....	100	490
11	Total costs and expenses .....	116,047	122,046
12	Gross Operating Profit .....	47,067	55,396
13	Depreciation and amortization ..... NOTE 1..	11,352	10,370
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10..	5,479	5,888
15	Other .....	---	---
16	Income (Loss) from Operations .....	30,236	39,138
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8..	(12,419)	(12,259)
18	Interest (expense) - external .....	(61)	(59)
19	Investment alternative tax and related income (expense) - net .....	(31)	(1,220)
20	Non-operating income (expense) - net ..... NOTE 11..	2,242	4,752
21	Total other income (expenses) .....	(10,269)	(8,786)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	19,967	30,352
23	Provision (credit) for income taxes .....	8,127	10,627
24	Income (Loss) Before Extraordinary Items .....	11,840	19,725
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 11,840	\$ 19,725

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE SIX MONTHS ENDED JUNE 30, 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

Line	(a)	Description	(b)	Shares	(c)	Common Stock	Preferred Stock	Additional	(g)	Paid - In	(h)	Retained	(i)	Total
						Amount	Shares	Capital				Earnings	(Accumulated	Stockholders'
						(d)	(e)	(f)				Deficit)	Equity	(Deficit)
1		Balance, December 31, 2002		100	\$	1		\$	128,260		\$	111,619	\$	239,880
2		Net Income - 2003										43,371		43,371
3		Contribution to Paid - In Capital												
4		Dividends												
5		Prior Period Adjustments												
6		Distribution to PPE												
7														
8														
9														
10		Balance, December 31, 2003		100		1			128,260			154,990		283,251
11		Net Income - 2004										16,654		16,654
12		Contribution to Paid - In Capital												
13		Dividends												
14		Prior Period Adjustments												
15														
16														
17														
18														
19		Balance, June 30, 2004		100	\$	1			128,260		\$	171,644	\$	299,905

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

Page 1 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2004 (c)	2003 (d)
<u>1</u>	Net Cash Provided (Used) By Operating Activities .....	\$ 17,650	\$ 42,668
	Cash Flows From Investing Activities:		
<u>2</u>	Purchase of short-term investment securities .....	---	---
<u>3</u>	Proceeds from the sale of short-term investment securities .....	---	---
<u>4</u>	Purchase outflows for property and equipment .....	(13,368)	(17,293)
<u>5</u>	Proceeds from disposition of property and equipment .....	452	373
<u>6</u>	Purchase of casino reinvestment obligations .....	(3,992)	(4,449)
<u>7</u>	Purchase of other investments and loans/advances made .....	(4,052)	(16)
<u>8</u>	Proceeds from disposal of investments and collection of advances and long-term receivables .....	11,712	532
<u>9</u>	Cash outflows to acquire business entities .....	---	(420)
<u>10</u>	.....	---	---
<u>11</u>	Net book values of disposals .....	---	---
<u>12</u>	Net Cash Provided (Used) By Investing Activities .....	(9,248)	(21,273)
	Cash Flows From Financing Activities:		
<u>13</u>	Cash proceeds from issuance of short-term debt .....	---	---
<u>14</u>	Payments to settle short-term debt .....	---	---
<u>15</u>	Cash proceeds from issuance of long-term debt .....	500	---
<u>16</u>	Costs of issuing debt .....	---	---
<u>17</u>	Payments to settle long-term debt .....	(126)	(68)
<u>18</u>	Cash proceeds from issuing stock or capital contributions .....	---	---
<u>19</u>	Purchases of treasury stock .....	---	---
<u>20</u>	Payments of dividends or capital withdrawals .....	---	---
<u>21</u>	Change in payable to/receivable from affiliate .....	(34,164)	(25,159)
<u>22</u>	.....	---	---
<u>23</u>	Net Cash Provided (Used) By Financing Activities .....	(33,790)	(25,227)
<u>24</u>	Net Increase (Decrease) In Cash And Cash Equivalents .....	(25,388)	(3,832)
<u>25</u>	Cash And Cash Equivalents At Beginning Of Period .....	50,338	39,181
<u>26</u>	Cash And Cash Equivalents At End Of Period .....	\$ 24,950	\$ 35,349

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
<u>27</u>	Interest (net of amount capitalized) .....	\$ 24,937	\$ 24,601
<u>28</u>	Income taxes .....	\$ 13,229	\$ 14,326

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

Page 2 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2004 (c)	2003 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	\$ 16,654	\$ 25,384
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	22,669	20,614
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	(349)	(76)
36	(Gain) loss on casino reinvestment obligations .....	(1,680)	2,460
37	(Gain) loss from other investment activities .....	(956)	(4,642)
38	Net (increase) decrease in receivables and patrons' checks .....	(2,884)	(284)
39	Net (increase) decrease in inventories .....	704	179
40	Net (increase) decrease in other current assets .....	(3,621)	(1,073)
41	Net (increase) decrease in other assets .....	2	28
42	Net increase (decrease) in accounts payables .....	(1,406)	(5,141)
43	Net increase (decrease) in other current liabilities excluding debt .....	(11,228)	5,776
44	Net increase in other noncurrent liabilities excluding debt .....	(255)	(557)
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	<b>Net Cash Provided (Used) By Operating Activities .....</b>	<b>\$ 17,650</b>	<b>\$ 42,668</b>

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	\$ 13,368	\$ 17,293
49	Less: Capital lease obligations incurred .....	---	---
50	<b>Cash Outflows For Property And Equipment .....</b>	<b>\$ 13,368</b>	<b>\$ 17,293</b>
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	\$ ---	\$ 420
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	<b>Cash Outflows To Acquire Business Entities .....</b>	<b>\$ ---</b>	<b>\$ 420</b>
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	\$ ---	\$ ---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	<b>Cash Proceeds From Issuing Stock Or Capital Contributions .....</b>	<b>\$ ---</b>	<b>\$ ---</b>

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	387,810	\$ 14,471		\$
2	Food	1,485,311	18,645		
3	Beverage	4,618,059	9,236		
4	Travel			32,570	2,222
5	Bus Program Cash	621,426	9,348		
6	Other Cash Complimentaries	1,697,396	27,703		
7	Entertainment	65,097	326	4,565	571
8	Retail & Non-Cash Gifts	49,823	3,294	166,178	5,220
9	Parking				
10	Other *	3,902	117	209,990	1,601
11	Total	8,928,824	\$ 83,140	413,303	\$ 9,614

FOR THE THREE MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	186,037	\$ 7,367		\$
2	Food	743,598	9,446		
3	Beverage	2,289,565	4,579		
4	Travel			17,395	1,161
5	Bus Program Cash	341,870	5,106		
6	Other Cash Complimentaries	929,867	14,085		
7	Entertainment	31,125	156	1,432	179
8	Retail & Non-Cash Gifts	27,060	1,725	75,390	2,808
9	Parking				
10	Other *	2,132	64	101,958	849
11	Total	4,551,254	\$ 42,528	196,175	\$ 4,997

\* No item in this category exceeds 5%.



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to the financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at June 30, 2004 and 2003, and its statements of income for the three and six months ended June 30, 2004 and 2003 and its statements of cash flows for the six months ended June 30, 2004 and 2003. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$11,352 and \$10,370 for the three months ended June 30, 2004 and 2003, respectively; and \$22,669 and \$20,614 for the six months ended June 30, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Connection Card Program**

During the 2nd quarter of 2003, the Company implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion at any CEI casino in the United States in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at June 30, 2004 and 2003.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in two other subsidiaries, Atlantic City Country Club, Inc. and Bally's Land Ventures, Inc. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Beginning with the first quarter of 2004, the Company was allocated from CEI certain expenses, such as information technology, internal audit and risk management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

**New Jersey tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
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the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

An affiliate of the Company, Boardwalk Regency Corporation ("Caesars Atlantic City") has started construction of a new parking garage and has entered into an agreement with Pier Developers, Inc. for the renovation of the Ocean One Shopping Mall, located on the boardwalk in Atlantic City. The Company, Caesars Atlantic City and Atlantic City Hilton entered into a credit agreement (the "Credit Agreement") with the CRDA to partially finance the construction of these projects. The Credit Agreement provides for funding from the CRDA for qualified development costs incurred. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company and its affiliates' investment obligations. For the six months ended June 30, 2004, the Company has received \$11,233 of previously deposited funds from the CRDA. Upon receipt of these funds, the Company recognized a reduction of \$3,744 in reserves, to reflect its current estimated realizable value of its remaining CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$4,800 the first payment of which is to be made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

### **Subsequent Event**

On July 14, 2004, CEI, Harrah's Entertainment, Inc. ("Harrah's") and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation.

The transaction with Harrah's is subject to a number of conditions, including, among other things the approval and adoption of the Merger Agreement by the stockholders of CEI and Harrah's and upon receipt of all necessary antitrust, gaming and other approvals, and the satisfaction or waiver of all other conditions precedent.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – \$4,095 in 2004 and \$5,630 in 2003)	\$ 5,518	\$ 6,306
Other (net of allowance for doubtful accounts – \$169 in 2004 and \$154 in 2003)	4,975	4,358
Due from CEI	75,443	36,864
Due from Caesars Atlantic City	6,748	3,293
Due from affiliates	<u>3,660</u>	<u>3,917</u>
	<u>\$ 96,344</u>	<u>\$ 54,738</u>

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 14,329	\$ 15,264
Bally's Land Ventures Realty, Inc.	15,097	14,762
GNOC, Corp.	<u>71,629</u>	<u>66,227</u>
Total investment in subsidiaries	101,055	96,253
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves of \$15,123 in 2004 and \$17,013 in 2003)	30,890	34,749
Jacobs Family Terrace mortgage receivable (less reserve of \$250 in 2004 and 2003)	1,102	1,291
Long-term deposits	4,125	73
Long-term receivable from GNOC, Corp.	<u>50</u>	<u>380</u>
	<u>\$ 137,222</u>	<u>\$ 132,746</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 112,378	\$ 112,378
Buildings and improvements	858,889	851,653
Furniture, fixtures and equipment	302,100	281,427
Construction in progress	<u>2,060</u>	<u>5,601</u>
	1,275,427	1,251,059
Less accumulated depreciation and amortization	<u>(622,450)</u>	<u>(586,147)</u>
	<u>\$ 652,977</u>	<u>\$ 664,912</u>

**NOTE 5 - OTHER ASSETS**

Other assets as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Cost in excess of acquired assets, less accumulated amortization of \$260	\$ 17,581	\$ 17,581
Other	<u>220</u>	<u>225</u>
	<u>\$ 17,801</u>	<u>\$ 17,806</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$ 22,792	\$ 29,355
Insurance claims	5,340	7,166
Other	<u>11,884</u>	<u>11,264</u>
	<u>\$ 40,016</u>	<u>\$ 47,785</u>

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Chip and token liability	\$ 2,774	\$ 2,824
Connection Card liability	2,699	1,322
Due to affiliates	1,040	2,093
Other	<u>2,874</u>	<u>2,443</u>
	<u>\$ 9,387</u>	<u>\$ 8,682</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Long-term debt due to affiliates:		
8.5% Note payable to Caesars Entertainment Finance Corporation ("CEFC") due January 1, 2009	\$500,000	\$ 500,000
8.5% Note payable to CEFC due May 31, 2011	33,500	33,500
8.5% Note payable to CEFC due May 31, 2011	50,000	50,000
8.5% Note payable to CEFC due April 30, 2013	<u>500</u>	<u>-</u>
	<u>\$584,000</u>	<u>\$ 583,500</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,364</u>	<u>\$ 1,558</u>

In January 1999, the Company executed a \$500,000 note payable to CEI with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, CEI assigned the \$500,000 note to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to CEFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. In April 2004, the Company executed a \$500 note payable to CEFC with interest at a rate of 8.5% per annum, payable on the last business day of each month.

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Retirement and other employee benefit plans	\$ 1,194	\$ 1,316
Other	<u>414</u>	<u>594</u>
	<u>\$ 1,608</u>	<u>\$ 1,910</u>

**NOTE 10 - CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 11 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 196	\$ 200
Gain (loss) on sale of assets	20	(11)
Equity in income of unconsolidated subsidiaries	1,801	4,338
Other	<u>225</u>	<u>225</u>
	<u>\$ 2,242</u>	<u>\$ 4,752</u>

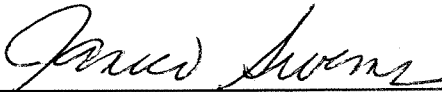
Nonoperating income (expense) for the six months ended June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 413	\$ 409
Gain (loss) on sale of assets	349	76
Equity in income of unconsolidated subsidiaries	956	4,642
Other	<u>451</u>	<u>451</u>
	<u>\$ 2,169</u>	<u>\$ 5,578</u>



# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature

Controller  
Title

#7091-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee